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September 12, 2006

BY HAND DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's response to the following Information Request:

DTE-BSG 2-2	DTE-BSG 2-3	DTE-BSG 2-9
DTE-BSG 2-10	DTE-BSG 2-11	DTE-BSG 2-12
DTE-BSG 2-14	DTE-BSG 2-15	DTE-BSG 2-16
DTE-BSG 2-17		

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Paul Osborne (DTE)
A. John Sullivan (DTE)
Alexander Cochis, Assistant Attorney General (4 copies)
Charles Harak, Esq. (UWUA)
Nicole Horberg Decter, Esq. (USW)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: September 12, 2006

Responsible: Sherry H. Gavito, VP Governance

DTE-BSG-2-2 Refer to the NISOURCE/IBM Service Agreement, Exh.1, at 784, provided in response to Record Request AG-9 (Confidential) from Bay State Gas Company, D.T.E. 05-27 (2005). Are the activities on this page related to the outsourcing of Bay State's current customer call center? How many of the activities have been completed to date?

RESPONSE: No, the activities on the NiSource/IBM Service Agreement, Exh.1, at 784, provided in response to Record Request AG-9 (Confidential) are not related to the outsourcing of Bay State's current customer call center. The referenced page lists certain of the activities to be performed by IBM's procurement services for NiSource's supply chain function.

As noted in DTE-BSG 2-11, IBM is to attempt to achieve certain savings for NiSource in a variety of categories of goods or services that IBM purchases on behalf of NiSource by strategically sourcing such purchasing. IBM is to attempt to improve NiSource's purchasing terms by moving to preferred vendors or by consolidating purchasing through certain vendors.

The NiSource IBM Service Agreement contemplates five (5) distinct phases or "waves" of strategic sourcing for NiSource's supply chain function. The activities listed on the referenced page have been completed for the first of the five waves.

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DTE-BSG-2-3 Refer to the NISOURCE/IBM Service Agreement, Exh 1, at 802-803, provided in response to Record Request AG-9 (Confidential) from Bay State Gas Company, D.T.E. 05-27 (2005). What does this statement of work refer to?

RESPONSE: The Statement of Work referenced at the NiSource/IBM Service Agreement, Exh 1, at 802-803, provided in response to Record Request AG-9 (Confidential) is the Statement of Work for the Meter to Cash Tower. It refers to the business process and support services performed in the Meter to Cash "Tower".¹

Each Tower has a detailed Statement of Work that describes the functions and services IBM is to perform within each Tower.

The Meter to Cash Statement of Work referenced above reflects the responsibilities for activities that are performed by the key functions within the organization. The Meter to Cash Statement of Work sets forth the following five (5) key functions of the Meter to Cash Tower: (i) Billing Exceptions; (ii) Back Office Processing; (iii) Printing, Inserting and Mailing; (iv) Payment Operations; and (v) Revenue Recovery.

¹ Each of the business processes outsourced to IBM by NiSource was categorized within in a particular function, referred to herein as "Tower" (e.g. Information Technology, Supply Chain, Meter to Cash, etc.).

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Stephen H. Bryant, President

DTE-BSG-2-9 Refer to the NISOURCE/IBM Service Agreement, Exh. 1, at 872, provided in response to Record Request AG-9 (Confidential) from Bay State Gas Company, D.T.E. 05-27 (2005). What is the relationship between the sales center services to be provided by the vendor and Bay State's sales office in New Hampshire?

RESPONSE: IBM and the Portsmouth, New Hampshire office, which handles certain sales-related function on behalf of Bay State, each handle calls for different types of services. IBM personnel are not located in the New Hampshire office.

The sales center services being provided by IBM (the vendor) are related to the handling of calls for energy products and services (e.g. Guardian Care). Bay State's sales office in New Hampshire handles calls for new business including gas sales and hookups. See also the Company's response to DTE-BSG 3-25.

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DTE-BSG-2-10 Refer to the NISOURCE/IBM Service Agreement, Exh. 4,
at 66. Identify the location contemplated for the
processing of billing exceptions.

RESPONSE: IBM's proposal for the processing of billing exceptions, which
typically do not require direct customer contact, is for the Brockton
Billing Exception and Back Office Processing volumes to be split
with approximately twenty percent (20%) to be performed in
Columbus, Ohio and the remaining eighty percent (80%) to be
performed in Bangalore, India. The plan envisions that all
necessary customer contact will be initiated from Ohio.

IBM's proposal also contemplates that Bay State's current
Revenue Recovery tasks will be performed in Columbus, Ohio.

These are the locations from which the work would be performed
if labor negotiations fail to produce an outcome different than what
is currently in place.

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DTE-BSG-2-11 Refer to the NISOURCE/IBM Services Agreement, Exh. 4, at 96. Are the savings in NISOURCE operations that are achieved by IBM to be shared by IBM? Are ratepayers funding incentives to IBM? Why shouldn't ratepayers derive some benefit from these savings?

RESPONSE: Per the terms of the NiSource IBM Service Agreement, the only savings that are shared with IBM are those that may be achieved by IBM's strategic sourcing activities for NiSource. These shared strategic savings are considered soft savings and are not guaranteed savings to NiSource. As part of the NiSource IBM Service Agreement, NiSource and IBM agreed to a Supply Chain Penalty/Gain Share Structure pursuant to which IBM is to achieve savings for NiSource through IBM's Procurement Services.

IBM is to attempt to achieve certain savings for NiSource in a variety of categories or goods or services that IBM purchases on behalf of NiSource by strategically sourcing such purchasing. IBM is to attempt to improve NiSource's purchasing terms by moving to preferred vendors or by consolidating purchasing through certain vendors. If IBM achieves certain savings for NiSource, IBM shares in such savings. The percentage of savings that IBM shares in increases as the amounts saved by NiSource increases.

The premise that "ratepayers" may be funding incentives established as part of the NiSource IBM Service Agreement is incorrect. Savings that are shared with IBM result from efficiencies gained across NiSource functional areas, and not determined with any accuracy by a change in Bay State's specific performance. Moreover, Bay State's customers are not funding these incentives to IBM.

Under Bay State's current performance based rate making structure, approved by the Department of Telecommunications and Energy in Bay State Gas Company, D.T.E. 05-27, Bay State's customers accrue the benefit of improved efficiencies during the entire pendency of the PBR program, regardless of whether these

efficiencies actually occur, through the application of a Productivity Offset, also know as the Z Factor.

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DTE-BSG-2-12 Refer to the NISOURCE/IBM Service Agreement, Exh. 4, at 141. The Company states that it is to measure telephone service to customers according to a 90% in ten second standard. How does this standard comport with the Department's standard (percent) of calls answered within 20 seconds?

RESPONSE: The referenced page of the NiSource IBM Service Agreement, Exh. 4 at 141, does not state that Bay State is to measure telephone service to customers according to a 90% in ten second standard. The referenced page sets forth how service level metrics are to be calculated and defined. It is a part of the glossary of definitions for the service level agreements in the Customer Contact Center. The referenced page merely defines "Service Level" and gives an example for reference. Thus, the Metric Definition states in part, "For example, a 90/10 service level is 90% of calls are picked up by a CSR in 10 seconds or less after they reach queue from the IVR or the customer contact center switch."

In setting the service level agreement requirements for telephone service to customers, NiSource used the metrics required by its various state regulatory agencies. IBM is required to perform in accordance with these metrics and in some instances improve upon them over time. The service level agreements ("SLA") are established separately between NCSC and IBM. See Attachment USW 1-23 (b) CONFIDENTIAL for specific SLAs.

Bay State notes that it is currently required to measure its telephone service factor ("TSF") (i.e., how many calls are answered) in both 20 seconds, which is used for reporting purposes, and 30 seconds, which is used as the basis for calculating penalties. Bay State measures its TSF at its Springfield Contact Center.

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DTE-BSG-2-14 Refer to the NISOURCE/IBM Service Agreement, Exh. 4, at
154. Under the Service Center Category, does the figure of
\$59,155 dollars apply for each anticipated phone call?

RESPONSE: No. Under the Service Center Category the figure of \$59,155
does not apply for each anticipated phone call. This dollar amount
is the Monthly Service Charge for a baseline number of calls. The
baseline is based on 2004 activity for the number of calls received
in each particular month.

As a point of clarification, the figure of \$59,155 was the Monthly
Service Charge for this baseline through December 2005. The
current Monthly Service Charge for the baseline number of calls is
\$57,322, subject to an increase for inflation. This Monthly Service
Charge is applicable through December 2006. Beginning July
2007, the NiSource IBM Service Agreement switches to a
transactional-based pricing structure for Contact Center-related
activities, such as answering calls.

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DTE-BSG-2-15 Refer to the NISOURCE/IBM Service Agreement, Exh. 8, at 5. Please indicate if Bay State Gas has a representative on the Executive Steering Committee. If not, who is Bay State's corporate contact on this committee?

RESPONSE: Bay State Gas is represented on the Executive Steering Committee by Harris Marple, NiSource's Senior Vice President, Distribution Operations and Kathleen O'Leary, NiSource's Senior Vice President, Energy Distribution and Regulated Revenue, who are also on NiSource's Executive Council.

The Executive Steering Committee as contemplated by the NiSource IBM Service Agreement has changed based on the business practices of NiSource. NiSource's Executive Council, which includes Mr. Marple and Ms. O'Leary, meets on a weekly basis. The IBM Service Agreement and IBM's delivery of services under that Agreement are discussed at the Executive Council meetings. The Executive Council has weekly status updates on outsourcing for operations, transformation and transition. During such discussions, IBM's Account Executive for NiSource is present and participates. Rather than hold Executive Steering Committee meetings in addition to the Executive Council meetings, IBM and NiSource have agreed to amend the IBM Service Agreement to permit NiSource's Executive Council meetings to satisfy the requirements of the Executive Steering Committee.

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DTE-BSG-2-16 Refer to the NISOURCE/IBM Service Agreement, Exh. 8, at 5.
Please indicate if Bay State Gas has a representative on the
Customer Council. If not, who is Bay State's corporate
representative on this committee?

RESPONSE: Bay State is represented on the Customer Council by Stephen
Bryant, President of Bay State Gas.

The Customer Council was established to provide a structured forum for NiSource to provide customer satisfaction feedback to IBM and to permit IBM executives to meet with NiSource's business leadership in a structured environment. The Customer Council is also intended to support the development of proposals, business cases and funding decisions for business process outsourcing initiatives.

The agenda of the Customer Council is intended to be flexible and meetings are to be held in conjunction with NiSource's Leadership Council on a quarterly basis and on an ad hoc basis as required. See also the Company's response to DTE-BSG-2-15.

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DTE-BSG-2-17 Refer to the NISOURCE/IBM Service Agreement, Exh. 8, at 6. Please indicate if Bay State Gas has a representative on the Transformation Advisory Committee. If not, who is Bay State's corporate representative on this committee?

RESPONSE: Bay State is represented on the Transformation Advisory Committee by Harris Marple, NiSource's Senior Vice President, Distribution Operations and Kathleen O'Leary, NiSource's Senior Vice President, Energy Distribution and Regulated Revenue. As noted on the Company's response to DTE-BSG 2-15, these officers are both also on NiSource's Executive Council.

NiSource's Executive Council meets on a weekly basis. The NiSource IBM Service Agreement and the transformation of NiSource contemplated thereunder are often discussed at such Executive Council meetings. During such discussions, IBM's Account Executive for NiSource is present and participates. Rather than hold Transformation Advisory Committee meetings in addition to the Executive Council meetings, IBM and NiSource have agreed to amend the NiSource IBM Service Agreement to have the Transformation Advisory Committee meetings be part of NiSource's Executive Council meetings on a quarterly basis. The Transformation Advisory Committee meeting may also be held on an ad hoc basis for special purposes.